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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

In the Matter of	)	
	)	
Local Exchange Carriers' Rates,	)	CC Docket No. 93-162
Terms, and Conditions for	)	
Expanded Interconnection for	)	
Special Access	)	

REPLY

BellSouth Telecommunications Inc. ("BellSouth) hereby submits its Reply to the Oppositions to BellSouth's Direct Case.

Parties filing oppositions in this investigation have followed quite a predictable pattern. The greatest specificity that can be found in the oppositions consists of recitations by the parties of various provisions or rates for expanded interconnection. The recitations are then followed by the observation that particular provisions and rates differ among LECs. Many times, they conclude by urging the Commission to adopt one of the tariff provisions or rates.

Such oppositions are far from compelling. The broad allegations which characterize so many of the oppositions can hardly be viewed to undermine BellSouth's Direct Case. In lieu of analysis, the parties state preferences.

A tariff investigation is not a popularity contest. Its purpose is to determine whether a tariff's provisions and rates are lawful under the Communications Act. The

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standard of lawfulness is not whether the provision is the best or the most preferred. It is whether the provision or rate in question is just and reasonable. Contrary to the apparent belief of many parties, this standard does not require BellSouth's tariff to be patterned after another carrier's or require BellSouth to justify its rates in relationship to another carrier's filed rates.

No party here has shown that BellSouth's rate structure is internally inconsistent; that the filed rates are not cost justified; or that the tariff's terms are unreasonable. Nor have the parties been able to demonstrate any flaw in the data and information contained in BellSouth's Direct Case.

While the general allegations and broad comparisons of the parties' oppositions are insufficient for the Commission to make a finding of unlawfulness, BellSouth, nonetheless, shows in Appendix I that even these broad attacks lack merit. Accordingly, the Commission should find BellSouth's expanded interconnection tariff and rates lawful and terminate this investigation.

Respectfully submitted,

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APPENDIX I

A. RATE STRUCTURE, RATES AND COST ISSUES

Issue: Charges for the Floor Space Component of Expanded Interconnection

Allegation: The charge for the floor space component of Expanded Interconnection Service should be based on the lease price of comparable commercial office space. (TCG at A-5; MFS at 6-13; ALTS at 21-24)

Response: In the guise of determining the cost for the floor space component of the interconnection service, various parties suggest that the Commission disregard the cost data provided by BellSouth and substitute a comparable real estate value. For example, ALTS suggests that rates for Class B office space be used as a benchmark cost. Other parties advocate similar types of approaches. Indeed, they criticize BellSouth's Direct Case for failing to include comparable real estate market values.

At the outset, those parties who view that BellSouth has not complied with the Designation Order are simply incorrect. As BellSouth explained in its Direct Case, there are no comparable market values for central office space.[1] Central office space is being used to provide a service, expanded interconnection. The only statutory basis the Commission has cited for the authority to mandate physical collocation is that it is a component of a communications service.[2] Given that physical collocation is considered by the Commission to be part of a communications service, the Commission is not free to merely disregard the cost of providing the service. This is particularly true here where no party has shown the cost data to be incorrect.

Furthermore, no party has shown that commercial office space is comparable to central office space.[3] Central

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[1] BellSouth Direct Case, Exhibit 4 at 3-4.

[2] BellSouth currently has pending a Petition for Review in the Court of Appeals challenging the Commission's authority to mandate physical collocation. See Bell Atlantic v. FCC, 92-1619, (D.C. Cir.) filed November 25, 1992.

[3] If commercial office space is comparable to central office space as some parties argue, then there is no reason that physical collocation is necessary. Commercial office space provides a ready substitute for central office space and virtual collocation provides the technical interconnection arrangement.

offices have numerous characteristics which are not found in commercial office space. For example, central office construction includes:

-Uninterrupted power sources;
-Cable vaults (not typically found in administrative office space);
-Floor loading of 150 pounds per square foot (compared to 60-80 pounds per square foot for general office space);
-Recurring electrical requirements of 20-50 watts per central office square foot (as compared to 10-11 watts per square foot for office space);
-Heat release demands of central office equipment require 2 to 4 times the mechanical/HVAC system support as that needed in administrative space;
-Full automatic fire detection and environmental controls;
-All internal compartments are required to have a minimum 1 hour fire rating for partitions, 3/4 hour rating for doors, and a 2 hour rating for floors (general administrative space generally requires rated walls only along egress routes); and
-Electrical grounding requirements are higher in central offices to assure safety of employees and to protect sensitive equipment such as switches.

The differences listed above, while not exhaustive, demonstrate that central offices are not comparable to commercial office space. Moreover, because the standards used for central offices exceed those of commercial office space, it should not be unexpected that the cost of central office space could exceed the rental cost of the same size space in a commercial building.

BellSouth's investments for the central office building and the associated land occupied by the 100 square foot interconnection space enclosure are gross book investments. The central office building floor space investment per assignable square foot is $72.71 and for the associated land is $2.75. The same investment was used for the central office building and associated land for the virtual collocation offering.

The following is a breakdown of the costs for the floor space module:

USOA Account	Monthly Investment per 100 Sq. Ft.	Directly Assigned Cost per 100 Sq. Ft.	Fully Assigned Cost per 100 Sq.Ft.
Land 20C	$275.00	$5.08	$6.65
Bldg 10C	$7,271.00	$147.33	$252.85
Subtotal	$7,546.00	$152.41	$259.50
Bldg 10C	$36,191.74	$157.01	$364.87
Total	$43,737.74	$309.42	$624.37

The $36,191.74 investment is the investment associated with the construction of the enclosure, i.e., walls, associated lighting, security, etc. The capital costs associated with this investment are recovered in the nonrecurring Space Construction charge. The operating expenses associated with this investment are recovered through the Interconnection Floor Space rate element. These operating expenses are calculated on a per dollar of investment basis. As the above shows, the central office book cost per square foot (i.e., excluding the enclosure) is about $2.60. No party has shown this to be an unreasonable cost.

Issue: Support for Space Construction Charge

Allegation: BellSouth has not provided information supporting the aggregate investment amount and has not justified the recovery of all components of the charge on an upfront basis. (Sprint at App. A, at 2, 7-8)

Response: In its Direct Case, BellSouth explained the components of the investment that forms the basis of the Space Construction Charge. In Attachment 1 to this Appendix, BellSouth provides the underlying detail for the investments underlying this charge.

In calculating the nonrecurring charge, BellSouth discounted the depreciation expense, cost of money and income tax expense over the life of the investment. Sprint is incorrect that BellSouth has not justified including income tax expense in its calculation. Appendix A to Exhibit 4 of BellSouth's Direct Case showed that BellSouth would incur a revenue shortfall if income tax expense were excluded from the calculation. Sprint's concern of timing differences between revenue generation and cost incurrence is not relevant to the appropriateness of the cost calculation. As BellSouth showed in its Direct Case, these discounted amounts reflect the total costs BellSouth will incur as a result of constructing the 100 square foot module. The Commission has recognized that it is reasonable for the LECs to recover these costs up-front, through a nonrecurring charge. Indeed, if such a charge were not assessed, the LECs would be forced into a position of financing their competitors' operations with all of the attendant risk. Such a result would be unfair and unreasonable.

Issue: Space Preparation Charge and Application Fee

Allegation: BellSouth failed to provide required TRP data for these charges and adequately explain their cost basis. (Sprint at App. A, at 2)

Response: On September 14, 1993 BellSouth filed an Erratum to its Direct Case wherein it submitted TRP data for these charges.

The Construction Provisioning Function defined in the Designation Order included the costs of ordering and provisioning the interconnector's space and cage, i.e., interconnector-specific costs associated with service order processing, pre-construction survey, design and engineering, space preparation, and construction management and coordination.[4] Therefore for BellSouth, this function includes both investment related capital costs and service order related expenses.

Specifically, Sprint is incorrect that there are no capital costs associated with the Commission's Construction Provisioning function. The $9,311.74 investment referenced by Sprint was shown in Exhibit 2 of BellSouth's Direct Case at Appendix A, Workpaper 2.1E-1.[5] As shown in that submission, this investment consisted of capitalized architectural costs, property management branch planner costs, property management space designer costs and property management design and construction costs. These capitalized items are associated with the actual construction of the space and are in addition to the service order related

[4] Local Exchange Carriers' Rates Terms and Conditions for Expanded Interconnection for Special Access, CC Docket 93-162, DA 93-951, Order Designating Issues for Investigation, Released July 23, 1993, at 7, n. 43.

[5] BellSouth Direct Case, Exhibit 2, Appendix A, Workpaper 2.1E-1.

expenses included in the Application Fee and Space Preparation charges. These capitalized costs are recovered in the nonrecurring space construction charge. Under the partitioned functions set forth in the Designation Order, they are identified under the construction provisioning function and not the interconnector-specific construction function where the other space construction capital costs appear.

The service order related expenses are reflected in the Application Fee and Space Preparation charges. In Exhibit 2 of its Direct Case, BellSouth summarized the nonrecurring work activities that underlie the service order related nonrecurring charges.[6] As pointed out in the Direct Case, all of the work functions, work times and associated labor rates were provided as supporting information with the Expanded Interconnection Service tariff filing.[7] Accordingly, BellSouth has provided all of the information necessary to evaluate the reasonableness of its nonrecurring charges.

Issue: Overhead Loadings

Allegation: The LECs have failed to establish that the overhead loadings for collocation services do not exceed those used for competitive DS1 and DS3 services. (ALTS at 17-21)

Response: ALTS is simply incorrect that BellSouth has not provided sufficient information. In its Direct Case, BellSouth included information for its DS1 service and DS3 services (including term plans) that showed that the overhead loadings reflected in its DS1 and DS3 rates exceed the loading factors used to compute the expanded interconnection charges.[8] As these data show, the overhead

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[6] BellSouth Direct Case, Exhibit 2 at 16-19.

[7] See BellSouth Transmittal No. 92 (Feb. 16, 1993) Appendix A, Workpapers 3, 3A, 3B, 3C, 3D, 3E and 3F. For Virtual Expanded Interconnection Service the same information was included with Transmittal No. 119 (June 14, 1993) Appendix A, Workpapers 3, 3A, 3B and 3C.

[8] See BellSouth Direct Case, Exhibit 2 at 29-36. At that time BellSouth did not include overhead loading associated with term plans for DS1 because BellSouth was about to revise the DS1 term rates. BellSouth indicated
(continued...)

ratios for BellSouth's competitive DS1 and DS3 services exceed the overhead loadings reflected in the expanded interconnection rates.

ALTS appears to reach its erroneous conclusion by assuming that different cost bases are used to calculate the overhead ratio for BellSouth's competitive services on the one hand and for expanded interconnection on the other. To the contrary, overhead loadings in both instances are measured by identifying the incremental cost (i.e., directly assigned cost) of the service. The amount the rate is above the incremental (directly assigned) cost reflects the overhead loading.

ALTS confuses the method used to establish the interconnection rates with the measure of overheads. For expanded interconnection, the rates were established by using fully assigned factors and applying those factors to the investments.

For BellSouth's special access services, ratemaking reflects numerous considerations including market conditions. Nevertheless, the actual overhead loadings reflected in the rates of these competitive services exceed those reflected in the fully assigned cost factors used for expanded interconnection.

Issue: Cost of money

Allegation: The factor used to reflect the cost of money is excessive. (MFS at 2-4; MCI at 9-10).

Response: BellSouth employs a forward-looking cost of money factor in developing its cost of service. This forward-looking cost of money represents BellSouth's estimate of an investor's expectation of the return he will receive on his investment. In order to insure that BellSouth can continue to attract investor generated capital, BellSouth must meet or exceed this return expectation.

The cost of money is just one component of an annual cost factor. Like other annual cost factor components, the

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[8](...continued)
revised overhead ratios would be submitted with the tariff filing. The tariff filing was made on August 31, 1993 under Transmittal No. 140. BellSouth resubmits here all of its overhead ratios for its DS1 and DS3 services as Attachment 2.

cost of money is levelized over a planning period. Levelization produces annual costs which are equal from year to year over that planning period. The annual cost factors are developed for USOA accounts and are affected by the investment life of the individual accounts.

The cost of money displayed on the TRP charts varies for the different functions for two principal reasons. The first is that the cost of money is calculated by account and the accounts have differing accelerated tax depreciation factors. Accelerated tax depreciation levelized over the life of the investment tends to reduce the overall levelized cost of money. The planning period will also affect the levelized cost of money. For investments with longer lives, the cost of money is levelized over a period of time less than the total investment life. This results in a levelized cost of money that is slightly greater than a non-levelized forward-looking cost of money.

Issue: Uniform Rate Structure

Allegation: The Commission should require all LECs to employ similar rate structures. (MCI at 2-4)

Response: MCI has made no showing whatsoever that a uniform rate structure is necessary. Indeed, as MCI recognized, the Commission has specifically declined to impose a single rate structure on all LECs. BellSouth's rate structure was designed to represent the work functions and activities that are required to be undertaken to provide expanded interconnection and the rate elements are intended to recover the costs for these functions. To assume, as MCI apparently does, that all LECs will provide EIS in the same manner is just contrary to fact. It is these differences which compels LEC specific rate structures.

Uniformity seems to be an argument that MCI reprises in various proceedings. This is clearly illustrated by MCI's collateral attack on ONA. The Commission, in ONA, rejected MCI's call for uniformity and recognized the value and need to afford LECs flexibility in developing their services. MCI has not presented anything here that would warrant a different conclusion.

Issue: Point of Termination Bay (POT bay)

Allegation: The POT bay does not serve any necessary function, has not been justified and unnecessarily increases connection charges. (ALTS at 26-27; TCG at App. A, A-2-A-3)

Response: In its Direct Case, BellSouth explained the purpose of the POT bay.[9] BellSouth also identified the specific functions the POT bay performs. To recapitulate, the POT bay serves a number of essential functions:

-provides a termination point for the DS1/DS3 cable facilities;

-provides a clearly defined demarcation point between BellSouth facilities and the collocator's facilities so that the collocator can have access to and complete control of all expanded interconnection services;

-provides discrete terminations accessible by the collocator that allow circuit identification for initial DS1/DS3 service provisioning and ongoing maintenance; and

-provides a point for labeling and identifying DS1/DS3 cable facilities.

None of the parties complaining about POT bays addressed BellSouth's Direct Case. In view of BellSouth's showing, claims that POT bays have not been justified simply cannot stand.[10]

Moreover, it is nothing less than a gross exaggeration to suggest that the POT bay causes cross-connect charges to be excessive. In BellSouth's Direct Case, BellSouth showed that the POT bay represented only 5 percent of the monthly

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[9] BellSouth Direct Case, Exhibit 4 at 8-9.

[10] At best, the only support that the parties can apparently marshall to support their position is reference to an Ameritech filing. These parties claim that Ameritech has now made the POT bay a service option which a collocator can decline. This is not a correct characterization. Ameritech did amend its tariff to permit collocators to provide their own POT bay or elect to have Ameritech provide the POT bay. In either event, under the Ameritech tariff, a POT bay is necessary.

cost for a DS1 cross-connect and 4 percent of the monthly cost for a DS3 cross-connect.[11]

As to this issue, the parties have substituted hyperbole for fact. BellSouth's Direct Case is unchallenged and proves the allegations regarding POT bays are without merit.

Issue: Intraoffice Repeaters

Allegation: Cross-connect charges are excessive because they include the cost of unnecessary repeaters. (MFS at 14; TCG at Appendix A, A-2; ALTS at 27-28)

Response: It appears that there is some recognition by the parties that BellSouth did not assume that repeaters would be needed for every cross-connect circuit and that BellSouth has nobly circumscribed the circumstances where repeaters would be necessary. Nevertheless, some of the parties paint their objections with a broad brush. It would appear that they would have the Commission believe that only in an exceptional circumstance would a repeater be necessary. For example, TCG assumes because it has not required a repeater for its intrastate interconnection arrangements, it can conclude that there is no legitimate need for repeaters.[12] Unfortunately, TCG's limited intrastate experience is not a basis upon which to make such an extrapolation. BellSouth has encountered any number of situations where the cable length between digital transmission facilities and the digital cross-connect bay within a central office has exceeded the maximum allowable distance, thereby requiring the use of a repeater.

For the purposes of expanded interconnection, BellSouth has made a conservative estimate that 10 percent of the cross-connect arrangements will require repeaters. Such an assumption does not, as several parties imply, result in excessive charges. Repeaters represent no more than 18 percent of the cross-connect costs.

Some parties, such as TCG, suggest that repeaters should be unbundled from the cross-connect element and charged for only when a repeater is provided. If the repeater were truly an optional arrangement the choice of which was within the collocator's control, unbundling could

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[11] BellSouth Direct Case at Exhibit 4, at 10.

[12] TCG at Appendix A, A-2.

be justified. This is not the situation. Whether a repeater is needed is a function of where the available collocation space is located in the central office. It is a factor beyond the control of the collocator. Accordingly, it is reasonable to average this cost across all collocation arrangements.

Issue: Assignment Control of Expanded Interconnection Arrangements

Allegation: The use of POT bays interferes with a collocators ability to control the assignment of cross-connects. (TCG at Appendix A, A-2-3)

Response: The assignment of cross-connects is not dependent on the POT bay as TCG appears to assume. Moreover, the customer has control of the assignment of its facilities. What appears to be at issue here is control of BellSouth cross-connect facilities and the assignment of those facilities when they are cross-connected to a BellSouth special access facility. Under BellSouth's expanded interconnection arrangement, BellSouth will make the facility assignment for such a cross connect. By so doing, BellSouth then is able to use its mechanized inventory systems in providing expanded interconnection service.[13] This results in several benefits. First, the use of such

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[13] These systems allow for mechanical assignment of facilities and equipment as well as providing a permanent maintenance record in our operational support systems. At the time the cross-connect cables are installed between the DSX frame(s) and the POT, the EIS/VEIS customer will be informed of the identity and terminating location of each facility. The DS-1 and DS-3 EIS/VEIS cross-connections will be administered as span lines. Then, when a service is ordered, a Design Layout Record (DLR) will be sent to the customer identifying the cross-connect facility being used as well as the exact location at the POT. If the customer is assigning a lower level service to a channel on a higher level digital high capacity service, such as a voice grade service to a channel on a DS-1 high capacity service or a DS-1 to a channel on a DS-3 high capacity service, and provides CFA information, then the DLR will confirm the channel assignment. Changes to this process would require manual intervention and will result in higher costs and slower provisioning due to additional time required in the Circuit Provisioning Center (CPC) to review the customer order, determine requirements, and manually access the inventory system to select and assign facilities.

mechanized systems allow for faster provisioning of service than would otherwise be possible. Next, it reduces the cost of providing service. It provides a low cost means of tracking and identifying facilities which is necessary in order to efficiently maintain, repair or rearrange services.

This process in no way limits the ability of the collocator to control facility assignments within the collocation module. This can be accomplished by the collocator using manual or electronic cross-connect devices. Alternatively, collocators could make such assignments at a different point in their network using similar means. Yet another alternative available to collocators is to interconnect with BellSouth cross-connect facilities using jumpers rather than cabling their transmission facilities directly to the BellSouth termination panels.

In offering expanded interconnection, BellSouth should not be required to abandon its inventory and provisioning systems. If BellSouth were required to meet every request made by a collocator to abandon its existing systems, its cost of doing business would increase as would the cost of expanded interconnection. A reasonable balance must be established. There are cost effective alternatives available for collocators to achieve the assignment control they apparently desire. Use of these alternatives would not disrupt existing mechanized systems that BellSouth has invested considerable time and resources to develop as a means to efficiently provide and maintain its services and facilities.

<u>Issue: Secured Access</u>

<u>Allegation</u>: The cost of secured access to collocation modules is too high. (TCG, App.A, A-5; ALTS at 31).

<u>Response</u>: Several parties complain that BellSouth's expanded interconnection rates are too high because they include the cost of a card access reader. In developing the costs of the collocation module, it was anticipated that each module would have a card access reader as means of controlling access to each collocator's module.

Based on the parties' comments, here, BellSouth is willing to modify the design of its collocation modules so as to have a single card reader system for access to a collocation area. Thus, the cost of the card reader system would be a shared cost among all collocators within a central office. While there was not sufficient time to recalculate the costs and rates for this Reply, this redesign will result in a reduction of the upfront construction charge and the recurring floor space charge.

B. <u>TERMS AND CONDITIONS</u>

<u>Issue: Size of Collocation Module</u>

<u>Allegation</u>: LECs should not impose minimum size requirements on the provisioning of collocation modules and incremental additions. TCG App. B, at B-1-2; ALTS, at 34.

<u>Response</u>: BellSouth will provide initial collocation space and any subsequent additions in 100 square foot modules. This method affords both administrative and operational advantages. Notably, the use of standardized modules allows BellSouth to plan in advance for the construction of secure halls and entrances which will separate BellSouth equipment from collocator equipment and minimize the need for security escorts. Conversely, the provision of interconnection space according to individual specification will substantially increase design and construction costs. Smaller units do not permit adequate dispersion of heat produced from the operation of network equipment; and additions of less than 100 square feet where not contiguous to a larger module would be difficult to engineer and their use problematic. Lastly, there are few if any central offices within BellSouth's region capable of housing an interconnection arrangement while lacking sufficient space to accommodate a 100 square foot module.

<u>Issue: Design and Construction of Collocation Space</u>

<u>Allegation</u>: BellSouth should allow collocators to choose between wire mesh and wallboard enclosures. MFS at 21-22.

<u>Response</u>: The fire retardant capabilities of wallboard offer greater protection for transmission equipment of BellSouth and all collocators within the central office. Further, wallboard affords security from the unintended disclosure of competitively sensitive information by limiting the view into or out of collocation space. Contrary to the allegations of MFS, use of this material does not require the installation of separate heating, air conditioning or fire suppression units. If ordered to provide cages, BellSouth will construct these in an area dedicated to collocator use. BellSouth does not favor alternative use of cages or wallboard due to the loss of

efficiencies incidental to construction of nonstandardized units.

Issue: Orders for Additional Space

Allegation: Orders for additional space do not entail the same costs as new orders and should be processed for a lesser charge. TCG, App. B, at B-3; ALTS at 34.

Response: CO space available for collocation is not necessarily contiguous, with the result that all modules cannot be housed within a single area. Every order thus requires a full review to ascertain the location of additional space and the adequacy of existing support structures (e.g., cable rack, riser, power, etc.).

Within each CO BellSouth has set aside space for planned installations; e.g., additional switching equipment or transmission equipment necessary to meet forecasted growth of existing services or deployment of planned new services. Nevertheless, BellSouth's own space requirements (and concomitantly the space available for collocation) may be affected by service growth which exceeds forecast or by the offer of a new service which was not anticipated during the initial survey of available collocation space. These and other contingencies likewise require BellSouth to perform the same work activities on receipt of each collocation order and justify equivalent charges for new and additional space orders.[14]

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[14] The following specific examples are informative:

(1) 720 Frederica CO (GLC 53334), Owensboro, KY - A switch replacement in this CO was scheduled for the current year and adequate space reserved. A decision was later made to install different switching equipment, requiring an additional 3,600 square feet over previous estimates. Rearrangements of the CO layout necessitated by this change likewise affected the amount of space available for collocation.

(2) Columbia Swift CO/SOC (GLC 91242), Columbia, SC - Three years ago service operations center functions located at the Commerce Drive SOC in Columbia were moved closer to geographical areas served by the office. Various work groups were relocated to vacant space in the Columbia Swift CO and the Commerce Drive facility was sold.

(continued...)

Issue: Space Preparation Charge

Allegation: Full payment of the space preparation charge prior to commencement of the work is not justified. Sprint at 4, App. A, at 16.

Response: Payment in advance of the space preparation charge defrays the cost of material and commits BellSouth labor resources necessary to construct the collocation module. Unless these charges are collected before the start of construction BellSouth must expend funds from its own capital budget, thereby financing the operations of its competitors. The Commission requires annual reports which will effectively monitor the quality of collocation services provided by BellSouth and other LECs. Moreover, it is probable that many collocators will likewise be customers, providing LECs with an additional incentive to render satisfactory service on interconnection arrangements.

Issue: Dry Fiber

Allegation: The refusal of LECs to provide dry fiber arrangements to collocated customers is unreasonably discriminatory. ALTS at 35; MFS at 28 -31 and n. 54; TCG, App. B, at B-6.

Response: Under BellSouth's tariff, dry fiber facilities are provided as a point-to-point arrangement between customer designated premises. They are not required to route through a central office and thus lack the characteristic which is integral to any physical or virtual collocation arrangement.[15] Further, the intent of the Commission's expanded interconnection mandate is to permit

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[14](...continued)

(3) Colonial CO (GLC 33337), Orlando, FL - Upon replacement of the #1A-ESS switch with a #5-ESS switch in early 1993, additional vacant space became available on the first floor of the CO. This space has since become occupied by employees relocated from other leased premises in Orlando.

[15] The Commission has expressly declined to address the issue of whether an interconnector's collocated space may constitute a customer premise. Local Exchange Carriers' Rates, Terms, and Conditions for Expanded Interconnection for Special Access, CC Docket No. 93-162, DA 93-951, Order Designating Issues for Investigation, released July 23, 1993, at 23 at n. 111.

competitors and high volume users to terminate their own special access transmission facilities at LEC central offices. This goal is not advanced by the provisioning of LEC-owned dry fiber to collocators.

Issue: Conditions for Terminating Service

Allegation: BellSouth's provision for terminating service to a collocator on fifteen days' notice of noncompliance with tariff requirements is unreasonable. ALTS at 36.

Response: BellSouth continues to believe that fifteen days' written notice provides adequate time for a collocator to correct minor infractions and to institute remedial measures in the case of more serious violations. Nevertheless, BellSouth would not object to an extension of the notice period to thirty (30) days, corresponding to general termination provisions of the access tariff. BellSouth Telecommunications, Inc., Tariff F.C.C. No. 1, §2.1.8.

Issue: Relocation Provisions

Allegation: LECs should bear all expenses incidental to interconnector relocation and should provide a guarantee of continuous service in the event of a move. TCG, App. B, at B-17-19.

Response: Where relocation is necessitated by BellSouth service commitments or any act or omission of BellSouth, this Company will assume the costs for replacement of all services provided from the expanded interconnection tariff and all associated administrative costs (e.g., order processing costs, engineering costs, etc.). BellSouth will assume no liability for the replacement/relocation of interconnector equipment and other property nor for any consequential loss or expense (e.g., lost profits) occasioned by the move. Likewise, interconnectors should be responsible for the payment of appropriate mileage charges measured from the new location. This is consistent with the intent of the Commission's expanded interconnection orders, which permit third parties to collocate in LEC COs but do not convey an indefeasible right to maintenance in a particular location or a guarantee of charges predicated upon a particular location.

The relocation of interconnector equipment will be managed in the same manner as the relocation of BellSouth facilities. The move will be coordinated with interconnector personnel, to include multiple testing of service to insure its proper operation in the new CO before cutover. BellSouth cannot offer a guarantee of continuous service but will adopt reasonable measures to minimize down time, which measures will be equivalent to the safeguards provided its own services. BellSouth would have no objection to the addition of tariff language requiring the Telephone Company to make reasonable efforts to minimize interruption/interference to interconnected service during a relocation and to provide six (6) months' notice to collocators of its intent to vacate a CO.

<u>Issue: Provisions Governing Liability</u>

<u>Allegation</u>: Expanded interconnection tariffs impose extensive liability obligations on collocators while unreasonably limiting LEC exposure. TCG, App. B, at B-26-27.

<u>Response</u>: This criticism is inapposite to the BellSouth tariff, which creates reciprocal obligations on the Company and the collocator for damages occasioned by each party's negligence or willful misconduct. Because BellSouth's exposure to third party claims should not be increased by a collocator's decision to occupy CO space, there is no unfairness in requiring indemnification by the collocator against such claims, provided these are not attributable to negligence or willful misconduct on the part of BellSouth.

<u>Issue: Insurance Requirements</u>

<u>Allegation</u>: BellSouth has failed to justify the level of liability coverage required of collocators or to demonstrate the reasonableness of other terms related to insurance procurement. MFS at 23 and n. 42; TCG, App. B, at B-20-24; Sprint at 4, App. A, at 17.

<u>Response</u>: The continuous presence of collocator equipment and personnel in BellSouth central offices significantly increases the Company's exposure to loss. While unlikely, it is by no means impossible that collocator activities could cause the destruction of an entire CO facility. Under these circumstances, liability coverage of $25 Million is neither disproportionate to the exposure nor disproportionate to the level of insurance BellSouth has

obtained for its own operations. Indeed, as BellSouth has shown, coverage in this amount is routinely carried by the majority of telecommunications firms. Further, insurance premiums are substantially weighted toward the first $5 Million of coverage, while increments above this level may be purchased at a much reduced rate. Thus, the required expenditure to obtain a $25 Million liability policy will not greatly exceed the amount necessary to purchase far less coverage.

Contrary to the suggestion of MFS, BellSouth should not be required to provide coverage for interconnection arrangements under its own policy--an approach which will increase BellSouth's insurance premiums in the event of loss attributable to collocator activities. Nor (as recommended by TCG) should the Company be required to accept a policy underwritten by an insurer whose solvency is open to question.

Issue: Letters of Agency

Allegation: LEC tariffs should include a specific provision for the acceptance of letters of agency. TCG, App. B, at B-31.

Response: BellSouth will accept letters of agency when processing an order for expanded interconnection service and accordingly does not object to the addition of a provision to this effect in its tariff.

Issue: Inspections

Allegation: LEC inspections of collocator arrangements must be limited in frequency and accompanied by reasonable notice. TCG, App. B, at B-33-34; ALTS at 38-39.

Response: With regard to non-emergency inspections, BellSouth will agree to the parameters described by TCG (i.e., one inspection at the time of initial turn-over of the collocation space with subsequent inspections at intervals of one per year). Additionally, BellSouth does not oppose a two-week notice requirement, does not object to collocator presence at any inspection and will not assess a charge for any inspection.

BellSouth does assert its right to conduct an inspection (upon notice) when additions/reconfigurations of equipment or space are made in the collocation module.

Further, requirements governing inspection frequency and notice can have no application in emergency situations or in the case of inspections conducted by governmental authority.

SPACE CONSTRUCTION CHARGE – NONPARTITIONED

ITEM	***INVESTMENT***
Switched fluorescent light	347.00
One 120v duplex outlet, circuit, and breaker	187.00
Add one zone to existing EWFD	781.00
Environmental alarms	4000.00
Separate C. O. ground to OPGP	597.00
Cable pass thru	92.00
Card access	12500.00
Demo	1600.00
Dust partitions	549.00
Floor finish	29.00
Door graphics	20.00
Finished and painted 1–hr walls 10'w x 12'h with one 3' –0"x7'–0" c–label metal door w/ frame	3170.00
Extend supply–air duct work 40', w/supply air diffuser (and fire/smoke damper thru 1–hr wall and return–air thru grill and fire/smoke damper thru 1–hr wall)	1715.00
Exterior door	1293.00
Architect and inspection costs = 25%	6720.00
Regional, incremental, Property Management Branch Planner, capitalized cost	75.98
Regional, incremental, Property Management Space Designer, capitalized cost	596.96
Regional incremental, Property Management Design & Construction Coordinator, capitalized cost	1918.80
TOTAL	**$36,191.74**

CONSTRUCTION PROVISIONING FUNCTION
Space Construction Charge – Partitioned

ITEM	*INVESTMENT*
Architect and inspection costs = 25%	6720.00
Regional, incremental, Property Management Branch Planner, capitalized cost	75.98
Regional, incremental, Property Management Space Designer, capitalized cost	596.96
Regional incremental, Property Management Design & Construction Coordinator, capitalized cost	1918.80
TOTAL	**$9,311.74**

INTERCONNECTOR–SPECIFIC CONSTRUCTION FUNCTION
Space Construction Charge – Partitioned

ITEM	*INVESTMENT*
Switched fluorescent light	347.00
One 120v duplex outlet, circuit, and breaker	187.00
Add one zone to existing EWFD	781.00
Environmental alarms	4000.00
Separate C. O. ground to OPGP	597.00
Cable pass thru	92.00
Demo	1600.00
Dust partitions	549.00
Floor finish	29.00
Door graphics	20.00
Finished and painted 1–hr walls 10'w x 12'h with one 3' –0"x7'–0" c–label metal door w/ frame	3170.00
Extend supply–air duct work 40', w/supply air diffuser (and fire/smoke damper thru 1–hr wall and return–air thru grill and fire/smoke damper thru 1–hr wall)	1715.00
Exterior door	1293.00
TOTAL	**$14,380.00**

SECURITY INSTALLATION FUNCTION
Space Construction Charge – Partitioned

ITEM	INVESTMENT
Card access reader	12500.00
TOTAL	**$12,500.00**